

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § §	Chapter 11 § Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF CARELLA, BYRNE,
BAIN, GILFILLAN, CECCHI, STEWART & OLSTEIN
FOR THE TWELFTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fee Application of Carella, Byrne, Bain, Gilfillan, Cecchi, Stewart & Olstein for the Twelfth Interim Period (the "Application").

BACKGROUND

1. Carella, Byrne, Bain, Gilfillan, Cecchi, Stewart & Olstein ("CBBG") was retained as Special Litigation and Environmental Counsel to Debtors. In the Application, CBBG seeks approval of fees totaling \$139,967.00 and costs totaling \$4,891.68 for its services from January 1, 2004, through March 31, 2004.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications

for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on CBBG an initial report based on our review, and received a response from CBBG, portions of which response are quoted herein.

DISCUSSION

3. In our initial report we noted an expense entry of \$244.43 on March 11, 2004 which required greater explanation. The entry is provided below.

Working meal	3/11/04 JMA, MEF,CHM, A. NAGY, K. BROWN	\$244.43
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We asked CBBG to provide detail as to the reasons this expense should be charged to this estate and state whether the meal expense was for breakfast, lunch or dinner. CBBG responded as follows:

The meal charge on March 11, 2004 was for a working dinner for the following individuals: John M. Agnello, Esq., Christopher H. Marraro, Esq., Melissa E. Flax, Esq., Akos Nagy, Director of Real Estate for W. R. Grace & Co. and the Vice President of ECARG, and Dr. Kirk Brown, ECARG's trial expert in the areas of environmental remediation and heaving, as it relates to remediation. During dinner, the participants analyzed Honeywell's submissions to the Special Master with respect to various stages of the remediation of the site, discussed the Special Master's comments to those submissions and discussed Grace's strategy in response to Honeywell's proposals and the Special Master's comments. The proposals relate to the court ordered remediation of the Route 440, Jersey City, New Jersey site which was the subject of the *Interfaith Community Organization v. Honeywell International, Inc., et al.* litigation. The cost per person was approximately \$48.89.

We appreciate the response and offer no objection to this expense.

CONCLUSION

4. Thus, we recommend approval of fees totaling \$139,967.00 and costs totaling \$4,891.68 for CBBG's services from January 1, 2004, through March 31, 2004.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: _____

Warren H. Smith

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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 30th day of July, 2004.

Warren H. Smith

SERVICE LIST

Notice Parties

The Applicant

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